HOUSING MARKET INFORMATION

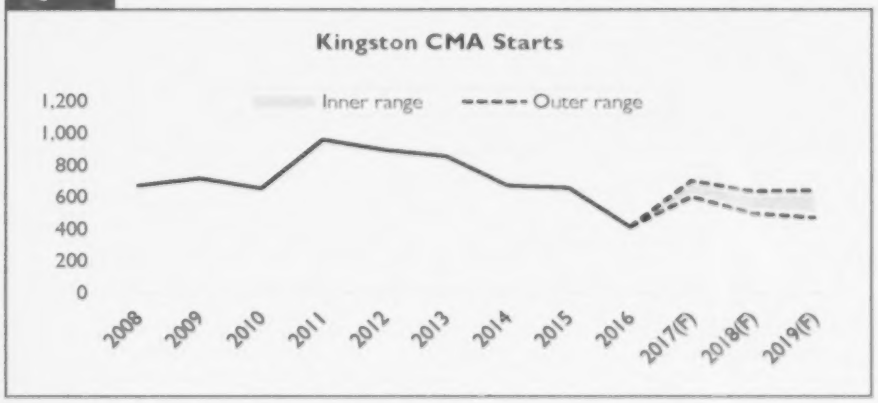
HOUSING MARKET OUTLOOK

Kingston CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2017

Figure 1



Source: CMHC (F) = CMHC Forecast

Figure 2

Source: CREA; (F) = CMHC Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association (CREA)

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Highlights[1]

- Total housing starts will range between 530 and 600 in 2018 and between 510 and 610 in 2019.
- Resale demand will remain strong, with sales ranging between 3,760 and 3,840 in 2018 and between 3,700 and 3,800 in 2019.
- The resale market will remain balanced in 2018 with the average price ranging between $319,500 and $330,500 and between $321,000 and $339,000 in 2019.

New Home Market: Total Starts to Decline in 2018

Total housing starts in Kingston Census Metropolitan Area (CMA) are forecast to increase in 2017 and will range between 630 and 680 units. After the rise, total housing starts will decline in 2018, then level off in 2019. The increase in 2017 will occur due to higher apartment starts when compared to 2016, which was the least busy year for apartment construction since 2002. The number of multi-unit starts in 2018 and 2019 will edge down from the 2017 levels, but will remain in line with the 10-year average.

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A trend toward greater intensification and a better-supplied resale market will restrict growth in single-detached starts, pushing its trend downward, well below the 10-year average.

An increase in migration from the GTA could push housing starts toward the upper bound of the outer range over the next two years. Alternatively, if inventories rise, builders could delay additional projects, resulting in starts trending closer to the lower bound of the outer range. A recent change[2] to the 2017 Ontario Rental Fairness Act might put downward pressure on multi-unit starts, as some already planned purpose-built rental projects risk not getting started or may start at a later date as condominiums.

Figure 3

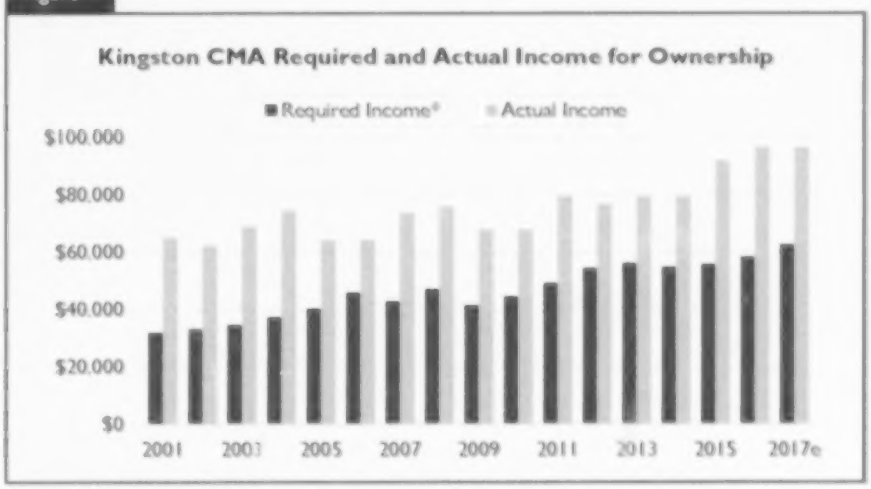
Source: CREA; (F) = CMHC Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association (CREA)

Existing Home Market: Sales to Remain Strong but Lower than 2017

This year residential sales are on track to set a new record with an employment growth reaching its six-year high. After the rise, existing home sales will decline by 2.6% in 2018, then marginally edge down in 2019. Still, the 2018 and 2019 sales will remain close to the 2017 high and the previous record high of 3,764 registered in 2004.

In general, gradually rising mortgage rates will limit sales growth. The market will remain balanced and price growth will be modest. It is expected that the average resale home will remain affordable during the forecast period, as the average household income in Kingston will still be about 30% higher than what is required[3] to buy and own a home at the average MLS® price.

Figure 4



Source: CMHC, adapted from Statistics Canada, CREA; e = estimate

Greater than anticipated migration to Kingston may put upward pressure on the number of sales and therefore prices, pushing them toward the upper bound of the outer

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[2] Effective April 20, 2017, landlords in Ontario cannot raise rents more than the rent increase guideline permitted by the Ontario Residential Tenancies Act, which is 1.5% in 2017 and 1.8% in 2018.

[3] Required income is mortgage carrying cost divided by 0.32 to reflect the usual 32% gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10% down payment, the fixed five-year mortgage rate and the longest available amortization.

range. Alternatively, a faster erosion of affordability and weaker than expected employment could have the opposite effect and push the sales forecast towards the lower bound of the outer range.

Rental Market: Vacancy Rate to Decline Through 2019

The vacancy rate[4] is anticipated to edge lower through 2018 and stabilize around 2.4% in 2019, as rental demand will increase more than the supply of rental housing. In 2017 rental and condominium supply will grow at a slower rate than during 2016. With fewer rental and condo completions, renter households in the primary rental market will have less choice, putting downward pressure on the vacancy rates. Also, as of September 2017, there were no condo units under construction, meaning that at least until the later part of 2018 there will be no newly completed condo units in direct competition with the existing rental stock.

Rental demand will continue to increase at a moderate pace due to increases in net migration, continued support of local student renting population and a growing senior population. Over the past three years, the Queen's University has seen the percentage of international students increase. As most international students tend to rent, this will further support the demand side.

Economic Trends: Slower Job Growth in 2018

Employment has strengthened in 2017 and is expected to show modest increases in 2018 and 2019, keeping the rate of unemployment below 6%. Employment is expected to grow by 3.1% in 2017, the highest rate of growth since 2011. One of the largest economic development projects in the CMA's history, a $225 million investment from a leading Chinese dairy processor, who is building a 28,000 square metre infant formula plant with two production lines, is adding to employment growth.

Currently, the plant construction is underway. Hundreds of construction jobs have been created[5] since the beginning of 2017, providing a major boost to the local economy now and later in 2019 when it will start production.

Several public investments are already underway, such as the John Counter Boulevard widening and a downtown reconstruction project, that are having an immediate positive impact on the employment. On the other hand, slower housing market activity will lead to less hiring in the real estate, financial and professional services sectors.

[4] In apartment structures with three or more units purpose-built for the rental market.

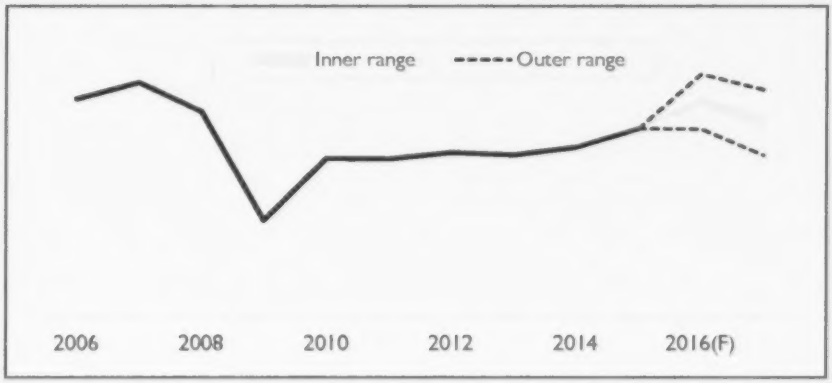
[5] As evidenced by the Statistics Canada's Labour Force Survey for the first eight month of 2017.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary
Kingston CMA
Fall 2017

	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	338	275	300	280	310	230	280	220	280
Multiples	334	380	112	340	370	300	330	290	330
Starts - Total	672	655	412	630	680	530	600	510	610
Resale Market									
MLS® Sales	2,982	3,166	3,624	3,870	3,930	3,760	3,840	3,700	3,800
MLS® Average Price($)	281,980	293,375	306,849	321,500	328,500	319,500	330,500	321,000	339,000
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	1.9	2.8	2.6	2.5	2.4	2.4
Two-bedroom Average Rent (October)($)	1,070	1,096	1,119	1,140	1,165	1,185
Economic Overview						
Population	168,164	169,420	171,372	172,770	174,150	175,300
Annual Employment Level	81,400	82,900	83,600	86,100	86,200	86,700

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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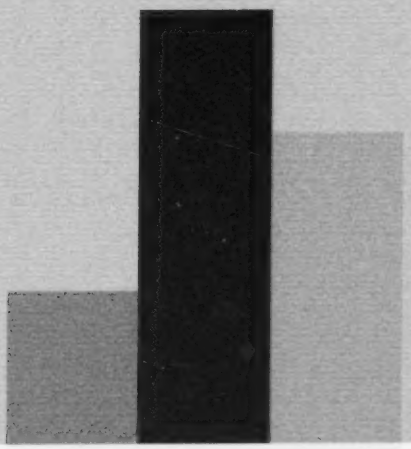

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